



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare and Medicaid Services

Center for Medicaid and State Operations
Disabled and Elderly Programs
Division of Integrated Health Systems
7500 Security Boulevard
Baltimore, MD 21244-1850

February 26, 2002

Linda K. Wertz, Medicaid Director
Texas Health and Human Services Commission
4900 North Lamar
Fourth Floor
Austin, Texas 78751

Dear Ms. Wertz:

I am pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving Texas' request for a 2-year continuation of its LoneSTAR Select II Contracting Program authorized under Section 1915(b)(4) of the Social Security Act (the Act.) This approval provides for a waiver of the following sections of the Act: 1902(a)(1) Statewideness and 1902(a)(23) Freedom of Choice, in order to permit Texas to continue to operate the LoneSTAR Select II program for the two year period beginning March 5, 2002, through March 4, 2004.

This waiver approval is based upon evidence submitted to CMS demonstrating that the State's proposal is consistent with the purpose of the Medicaid program. The approval will enable the State to continue to act as a prudent purchaser of inpatient psychiatric services for children and increase the State's ability to manage the Medicaid program in a more efficient and effective manner.

Our approval is contingent upon the State arranging for an independent assessment of the waiver with respect to access to care, quality of services, and cost effectiveness. The results of this assessment must be submitted to CMS no later than 6 months before the expiration of this waiver authority. In addition, if the State should decide to request an additional renewal of this program, the renewal application must be submitted at least 90 days prior to the expiration date of this waiver or December 5, 2003.

I would like to suggest that, with providers and savings decreasing under LoneSTAR Select II, the State reevaluate its need for a separate waiver for inpatient psychiatric services and consider the feasibility of consolidating LoneSTAR Select II with LoneSTAR Select I on future renewals. CMS would be happy to provide technical assistance should the State decide to pursue this alternative.

We appreciate the State's efforts in continuing this program to provide for accessible, quality, and

cost-effective health services for Medicaid recipients and wish you continued success. If you have any questions, please contact Billy Farrell in the CMS Dallas Regional Office at (214) 767-6449 or Linda Abbott in the Central Office at (410) 786-4662.

Sincerely,

/s/

Theresa A. Pratt
Director

cc:

Billy Farrell, Dallas RO
Andy Fredrickson, Dallas RO
Linda Abbott, Central Office